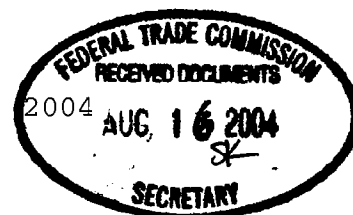




**Mortgage
Insurance
Companies
of America**

Suzanne C. Hutchinson
Executive Vice President

August 16, 2004



Federal Trade Commission/Office of the
Secretary
Room H-159 (Annex N)
600 Pennsylvania Avenue, NW
Washington D.C. 20580
FACTAscoringstudy@ftcgov.

RE: FACT Act Scores Study, Matter No. P044804

Dear Sirs:

The Mortgage Insurance Companies of America (MICA) is pleased to comment on the methodology and research design for conducting a study of credit scores and credit based insurance on the availability and affordability of financial products. MICA is the trade association of the private mortgage insurance (MI) industry¹. Private mortgage insurance, also known as mortgage guaranty insurance, protects a mortgage lender if a homeowner defaults on a loan. Our industry has more than 50 years experience in assessing credit risk associated with mortgage borrowers.

Responses to Questions Raised

Question 1: General Guidance on Preparing a Study

It is critical that the effects of credit scoring and credit pricing be studied for each product category and in some cases within categories. For example, credit card issuance should be studied separately from mortgage origination. The scoring methodologies and processes can be quite different. Also, the real estate collateral underlying mortgage

¹Six private mortgage insurers comprise MICA's membership: GE Mortgage Insurance, Mortgage Guaranty Insurance Corporation, PMI Mortgage Insurance Co., Republic Mortgage Insurance Company., Triad Guaranty Insurance Corporation and United Guaranty Corporation.

lending results in a significantly different credit analysis than scoring applied in the absence of collateral. Additionally, mortgage lending is very different from other forms of credit-related lending in that neither the mortgage interest rate nor the mortgage insurance premium can be raised in the event the borrower's proven credit performance weakens in the months or years following the loan origination.

It is important that the study assess the exact role the credit scoring system performs in the credit decision making process and in the credit cost decision process. Is the underwriting acceptance based exclusively on the scoring system or does the scoring system act to supplement a more complex rules-based or judgments-based decision process? Are there hard guideline/eligibility/pricing cutoffs and parameters in the program based on output from the scoring system? Are there allowances for exceptions to any score cutoffs or eligibility minimums? How often is the scoring system overridden or bypassed, particularly for ECOA-focused market segments?

Many lenders and insurers have special channels and programs directed at ECOA-focused market segments that allow for the approval of those borrowers who may not be approved using the traditional channel. The effects of these programs should be included in the study. We note that on July 27, 2004, Fair Isaac announced a FICO expansion score which is specifically targeted to help lenders extend credit to consumers in new markets. It is based on non-traditional credit data and can help lenders effectively predict risk for consumers with non-existent or thin credit histories. The new score may help consumers gain access faster to traditional credit products like credit cards, car loans, or home loans by evaluating financial relationships that are absent in credit bureau reports. The planned FTC study should evaluate the impact of the increasing usage of scoring systems like this

